

20 February 1976

NOTE FOR THE DIRECTOR

1. You will recall that we met last week with OMB reps to set the stage for your coming meeting with Jim Lynn. The attached memo reflects the discussions.

2. There are three, possibly four, agenda items:

a. An OMB allowance letter to you as Chairman, CFI to start NFIP programming and budgeting. No problem here.

b. OMB's relationship to CFI. We came down hard (as did the CFI later) against any OMB role -- member or observer. OMB can be kept advised of CFI decisions and issues.

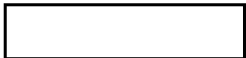
c. OMB has proposed a classified FY budget annex for Hill use. We have negotiated a version acceptable to us (DoD remains unhappy with it). Important points are:

-- insuring that the annex is not so detailed as to cause great damage if disclosed; and

-- insuring that it covers the parts of the NFIP as we see them, not OMB.

We are agreed on this, but it may have to be revised a bit after CFI agrees on what exactly comprises the NFIP.

d. There may be some discussion of a separate apportionment for DCI Community activities. The IC Staff currently parasites off CIA. There are pluses and minuses (more of the former I think) to this. It needs further study.


E. H. Knoche
AD/DCI/IC

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Attachment: a/s

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20 February 1976

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with OMB Staff

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1. At 1400 hours, Thursday, 19 February, Hank Knoche, Jim Taylor, [redacted] met with Dick Stubbing and Arnie Donahue of OMB. The meeting was requested by Stubbing to serve as a preliminary for a tentative meeting between the DCI and Mr. Lynn on Wednesday, 25 February.

2. The group agreed on a three point agenda:

- The advisability of OMB sending an allowance letter from OMB to the Chairman, Committee on Foreign Intelligence
- OMB involvement and interface with the CFI's new program and budget processing schedule
- OMB's proposed classified FY 77 Budget Appendix

There might possibly be a fourth agenda item--the advisability of separate funding for the DCI to discharge his Community responsibilities.

3. Discussion:

Allowance Letter

The group felt that the DCI would almost certainly want to issue resource guidance to the Community to start the program and budget process. Stubbing and Donahue felt that they could assist by providing an allowance letter which would give initial fiscal marks for FY 78-81. It was agreed that if it was issued to the DCI as Chairman of the CFI, he could then distribute it to the various Program Managers and the other members of the Committee.

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OMB Involvement

The basic question raised by Stubbing was: Would OMB be involved at selected points in the program and budget process or would we operate essentially in an "adversary" mode? Stubbing said that his background caused him to lean in the direction of a joint review mode similar to the OMB-DoD arrangement. Mr. Knoche pointed out that we wished to avoid the situation which all perceived as a problem in IRAC where OMB's presence in all deliberations tended to chill the debate. It was also pointed out that the price OMB paid for a joint process with Defense was that the DoD budget went directly to the President. At this point the group discussed the outlined budget cycle framework which was to be addressed at the first CFI meeting. Some timing problems were identified, and as a result of that discussion, the OMB staffers acknowledged that there was some merit in their not participating in CFI deliberations. They were concerned, however, that OMB could find itself in a position of being involved very late in the process and, should the appeal mechanism for the CFI be exercised, without adequate background to participate in White House meetings. The group agreed that it was reasonable for OMB to be apprised early on of any issues which appeared to be headed in the direction of appeal. It was also pointed out that the current OMB interface with each of the NFI programs tends to keep them involved and advised on virtually a full-time basis and that an October 1 budget submission fit with their cycle of work. [redacted] also noted that even though OMB had in the past been invited to participate in joint program reviews in the Pentagon, they usually did not do so because it was too early in the process.

Classified Budget Appendix

The IC Staff has provided comments, all of which Arnie Donahue indicated were acceptable to OMB, on their most current draft. It was recognized that Defense preferred the more streamlined version which they had offered as an alternative. The IC Staff and the CIA view was that if OMB modified the Appendix as we had indicated, we preferred the OMB version. [Note: OMB originally proposed this Appendix in order to provide Mr. Mahon with a document he could use to inform other members of Congress about Intelligence Community budgets. The DoD view is that the Appendix is too detailed. We do not share that view in light of the extensive budget justifications already available to the Congress.] Mr. Stubbing then said that it was important that we agreed on the definition of what constitutes the National Foreign Intelligence Program and that this document will be read as defining the NFIP under the new Executive Order. He therefore urged that we all agreed that this was in fact the

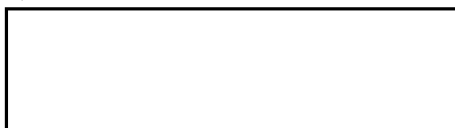
definition we were willing to go with. We pointed out that 1) it is premature to offer such a definition, 2) that the Budget Appendix should reflect the definition of the NFIP currently before Congress, and 3) the changes we had suggested would align the Appendix with the DCI's presentation. While we are comfortable with the current definition as reflected in the Appendix, there is no way that we could provide assurances that CFI deliberations would not cause it to change.

4. At the end of the meeting, it was mentioned that there might be some advantage in separately funding DCI activities in support of his Community role rather than having them included as part of the CIA budget. Stubbing and Donahue felt that the problem could be handled by a separate apportionment beginning with the FY 76 letter which was about to be issued. They agreed to talk about it between themselves and asked [] to discuss the matter with Jim Taylor. In conversations with Jim Taylor, it was agreed that there are certain advantages to separate IC Staff funding but we ought to also recognize the disadvantages: once apportioned, the money is fenced; there is no way for CIA to assist by reprogramming. (For example, if ICS were to run out of travel funds, there would be no reasonable basis for asking CIA to help.) Moreover, apportionment action alone would not have the desired effect of rendering the ICS visibly separate from the CIAP. That should be done at budget request time. On balance, it appears that:

- We should not attempt to change the FY 76 apportionment
- We should clearly understand the pluses and minuses of separate funding for the IC Staff before anything is done
- Should we decide to go ahead, we can work with the CIA Comptroller to reflect the IC Staff budget as a separate entity in the budget request and also ask OMB to separately apportion it.

We all agreed that it makes no sense to ask Congress to provide a separate appropriation.

5. Stubbing and Donahue agreed to provide a redrafted version of their Appendix in time for the Wednesday meeting. The meeting adjourned at 1530 hours.



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*Inputs to the
covering memo* (Attached)

*sent to
7/2/76?*

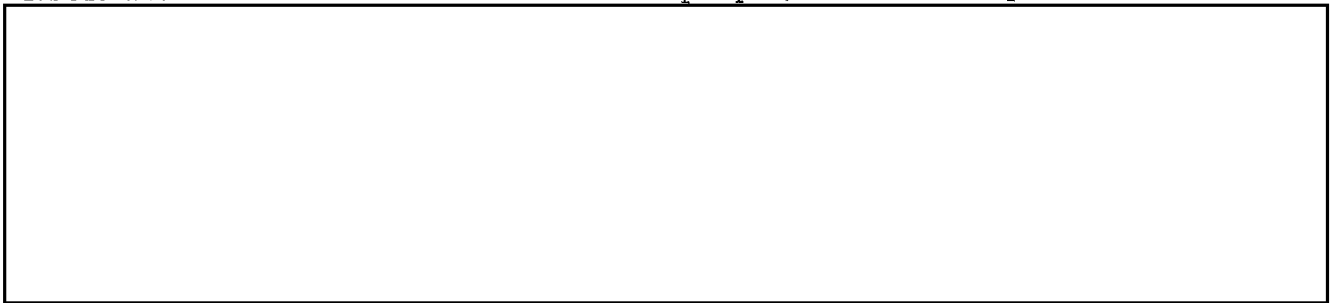
One very important function of the DCI and his staff is not mentioned explicitly under either the Foreign Intelligence Committee or the National Intelligence Production Board. This function is performance evaluation. It is probably our most difficult task and we are in the very early stages of trying to devise effective ways of accomplishing it.

Done well, performance evaluation can add immeasurably to the DCI's clout and authority because it will permit him to issue "report cards" on all phases of the Community's work and eventually to relate those report cards to resource allocations. It is a function that does not break cleanly between the two new bodies -- the FIC and the NIPB. Evaluation of collection and processing are best undertaken under the purview of the FIC. Evaluation of the adequacy of requirements and the value of the end product best fits under the NIPB. It will be up to your Intelligence Community Staff and the NIO's to develop the relationships to accomplish these jobs for you.

There is an option here whether or not to press for inclusion of the performance evaluation responsibility somewhere in the Presidential package. On balance, we recommend that it not be included. It is implicit in your job as DCI, and it is up to your staffs, working under your guidance, to develop the means to get the job done well. The point is you will want to insure that you are seen to have directed the establishment of the best possible evaluation system to aid you in your Community role.

We have given thought to the proposition of insisting that the General Defense Intelligence Program (GDIP) be included among those which will come under the purview of the FIC.

There are at least three chunks of the GDIP which have sufficient importance to consider this possibility. One of them is the DIA itself which consists of funds devoted to people, studies and production.



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On balance, we do not recommend that we press for any part of the GDIP to come under FIC purview at this time. Virtually all of the GDIP is departmentally oriented within the DoD and to ask for its inclusion would guarantee a bureaucratic fight of major dimension. The IC Staff has very good day-to-day relationships with DoD authorities which guarantee our visibility and understanding of what is going on within the GDIP. In the future, should the occasion arise, we can advise you as Chairman of the FIC to take special looks at one or more parts of the GDIP depending upon circumstances.

SVW ☒ 3-2-76
(To keep you posted...
DCI asked Lehman &
me to work with []
[] on the "final"

3 February 1976 re-working
of the Presidential
package. The
used this memo
to get DCI
guidance on
points to make.)
HLL

MEMORANDUM FOR: Mr. Bush

Hank and I have discussed the things you told us last night. We agree that, with your permission, I should make a few suggestions to [] today.

The division of functions between the FIC and DCI/NIB was a good deal cleaner before the changes yesterday. We think we should:

- Urge [] in general to make the language on which group does what as specific as possible. Yes _____. No _____.
- Urge that the language otherwise be as general as possible, within the President's guidelines, to allow you maximum freedom of action. Yes _____. No _____.
- Suggest that "guidance on the relationship between national and tactical" remain under FIC. (Unworkable as a line responsibility of the DCI alone). Yes _____. No _____.
- Suggest he eliminate the box showing NIO's. You have already indicated a decision to restudy their functions and the changes would make this essential. Leaving it off leaves you free to retain them or not as you wish. If the box shows, you will be locked in. Yes _____. No _____.
- Suggest he show the FBI only as one of the minor members of the NIB. This is cosmetic. Showing FBI on the same level with State and Defense would give the wrong impression to the public and cause an unnecessary uproar. The FBI should be a minor and large passive member, as it now is of USIB. FBI has had USIB membership in the past for general policy purposes only; it is not a participant in national production. Yes _____. No _____.

--Does he really mean to include Council of Economic Advisers (exclusively a consumer) on the NIB? We think it should not be.
Yes _____. No _____.

--Suggest he show NSA as a member of NIB. "Defense" covers it, but NSA would be a lot happier if its existence were recognized, and we think it should be, too. Yes _____.
No _____.

25X1 --In general, [] might consider keeping the membership of NIB small and flexible, especially with the functions now transferred from FIC. (CIA, DIA, NSA, INR, Treas. as core members, the others ad hoc). Yes _____. No _____.

--Suggest there be a specific designation, at least in the Executive Order, of the DCI as the primary Community spokesman on intelligence before the Congress. (I think this is generally agreed). Yes _____. No _____.

--We have given thought to proposition of insisting that the General Defense Intelligence Program (GDIP) be included among those which will come under the purview of the FIC. On balance, we do not recommend that we press for any part of the GDIP to come under FIC purview at this time. Virtually all of the GDIP is departmentally oriented within the DoD and to ask for its inclusion would guarantee a bureaucratic fight of major dimension. The IC Staff will be in a position to advise you as Chairman of the FIC to take special looks at one or more parts of the GDIP should circumstances require it.
Yes _____. No _____.

--One very important function of the DCI and his staff is not mentioned explicitly under either the Foreign Intelligence Committee or the National Intelligence Production Board. This function is performance evaluation. It is probably our most difficult task and we are in the very early stages of trying to devise effective ways of accomplishing it. Moreover, it is a function that does not break cleanly between the FIC and the NIB. On balance, we recommend that it not be mentioned. It is implicit in your job as DCI, and it is up to your staffs, working under your guidance, to develop the means to get the job done well. Yes _____. No _____.



Richard Lehman

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